

I. General Information

A. Introduction

1. The Delaware State Treasurer, on behalf of the Cash Management Policy Board (the Board), desires to enter into a contract with a financial institution (respondent or vendor) for the purpose of providing investment services to the State of Delaware (the State).

2. As a result of this RFP, one or more of the following actions may be taken:

- Make no changes to the current arrangement of investment managers.
- Add one or more new investment managers to the group of existing managers.
- Delete one or more investment managers from the group of existing managers.

B. Overview

1. The State of Delaware currently utilizes five investment managers and a total of nine investment accounts. There are three types of accounts, as follows:

- One cash account (accessed daily as part of the settling of the State's daily cash position). Liquidity is the chief investment criterion.
- Five liquidity accounts (with investment horizons of up to two years). Safety of principal is the chief investment criterion.
- Three intermediate account (with investment horizons of up to seven years). Safety and return on investment are the chief investment criteria.

2. The State operates on a fiscal year beginning July 1 and ending June 30. During FY2007, the nine investment accounts earned a total of \$70.4 million in interest income.

3. Portfolio managers are subject to investment guidelines (see separate attachment) developed by the State's Cash Management Policy Board. They are required to provide monthly performance information to the Cash Management Unit (CMU) of the State Treasurer's Office.

4. All custodian services for the investment accounts are provided by BNY Mellon Corporation.

C. Timetable

1. The following RFP checkpoints will be accomplished on or before the dates indicated:

- RFP released: *September 14, 2007*
- Deadline for submitting proposals: *September 28*
- Review proposals within State Treasurer's Office: *October 5*
- Recommendations submitted to investment subcommittee : *October 12*
- Review of finalists by investment subcommittee: *Mid October*
- Review by the full Board: *Fall Meeting October 29*
- Award contracts to winning respondents: *October 31*
- New investment relationship fully operational: *January 1, 2008*

II. Bidding specifications

A. Addenda to the RFP.

If it becomes necessary to revise any part of this RFP, addenda will be provided to all that received the initial RFP.

B. Cancellation of the RFP.

The State of Delaware may cancel this RFP, in whole or in part, at any time.

C. Proposal acceptance

The State Treasurer reserves the right to:

- Accept or reject any and all proposals, in whole or in part.
- Waive minor irregularities in proposals.
- Allow respondents to correct minor irregularity in their proposals.
- Negotiate with all responsible vendors, in any manner necessary, to serve the best interests of the State.

D. Respondent presentation

Respondents who pass the initial RFP screening may be required to make individual oral presentations to the Board officials in order to clarify and expound on their proposals.

E. Incurred expenses

In no instance will any State of Delaware agency or employee be responsible for any costs incurred by any respondent in preparing and submitting a proposal.

F. Proposal format

Proposals should be prepared simply and economically in accordance with the specifications of the RFP. Proposals should be prepared on standard 8.5 x 11-inch letter-size paper. Proposals should be comprised of the following sections in the order given:

- ***Cover letter.*** This may contain general and supplemental information.
- ***Schedule of fees.*** Investment management fees must be expressed in terms of basis points. (As described in Section II-O)
- ***Rates of return.*** Please provide the returns on investment for the past two years (12-month periods ending June 30, 2007) for an existing portfolio most similar to that described by the State's investment guidelines. The returns should be detailed by gross market and book for each month of this two-year period
- ***Fitch Rating.*** Provide rating for most recent reporting period.
- ***Return on equity capital ratio.*** Provide for the 24 months prior to December 31, 2006.
- ***Questionnaire responses.*** (The questionnaire comprises Section IV of this RFP.)
- ***Business license statement of assurance.*** (As described in Section II-N)

G. Confidentiality of information

Respondents should identify those portions of their proposals which they deem to be confidential, or which contain proprietary information or trade secrets. They must provide any justification of why such materials, upon request, should not be disclosed by the State under the Delaware Freedom of Information Act.

H. Contractor responsibilities

1. The State Treasurer will enter into the contractual agreement on behalf of the Board with the selected vendor only. The vendor shall be responsible for all products and services as required by this RFP.

2. Any and all sub-contracting must be approved by the Board.

I. Acceptance of terms and conditions

1. By submitting a proposal in response to this RFP, the vendor hereby accepts the terms and conditions set forth herein. If the vendor proposes changes to any specific requirement(s), such changes will be considered, providing that the vendor demonstrates, and the State agrees, that the changes will benefit the State. Suggested changes must appear in a separate section of the vendor's proposal. The State reserves the right to deny any and all exceptions taken to the RFP requirements.

2. The State will accept and only pay for those services described by this RFP and agreed to by both parties. Mutually accepted additional services will be permitted after the contract has begun; however, the vendor and State Treasurer's Office must agree on pricing prior to the start of any new service.

3. The State will pay investment fees via invoice and will not allow direct debit of fees from their accounts.

J. Contract length and price changes

1. The contract will be for a period of one year beginning on January 1, 2008 and ending December 31, 2008.

2. The vendor and the State may agree to extend the contract for five additional one-year periods to end December 31, 2013.

3. The vendor will provide written assurance that it will provide all contracted investment services to the State for the entire period described in this section.

K. Termination of the contract

1. The State may terminate the contract for any reason with a 30-day written notice sent by certified mail to the principal office of the vendor.

2. The State reserves the right to immediately terminate the contract in the event the vendor fails to meet any contractual requirement. The State shall have the right to declare the vendor in default and to terminate all agreements, written or oral, without penalty or obligation to the State of Delaware. Upon written notice of default to the vendor, the State shall have the right to select an alternate vendor.

L. Site visitations

The State reserves the right to make unannounced visits to the vendor's offices for the purpose of inspecting and auditing records.

M. Preparation and submission of proposals

1. Each proposal must be in compliance with applicable federal and Delaware state laws.
2. Each proposal must identify and dedicate the following personnel:
 - Principal Investment Officer - This will be the primary point of contact for the State.
 - Assistant Investment Officer(s) - This will be the secondary point of contact for the State, and this person should be able to respond to all inquiries in the absence of the Principal Investment Officer.
3. Each proposal must be signed by the appropriate official who is authorized to bind the vendor to all statements, including services and prices, contained in the proposal. Only the original "master" proposal must have an original signature; copies of the proposal may have photocopied signatures.
4. Each vendor may submit its proposal by one or both of the following means and it must be received not later than 4:00 p.m. local time on September 28, 2007.

- Hard copy. An original proposal and five copies (six total documents) must be delivered to:

Office of State Treasurer
ATTN: Investment Proposal
820 Silver Lake Blvd, Suite 100
Dover, Delaware 19904

Time stamped receipts are available upon request. Proposals must be delivered in sealed envelopes.

- Electronic copy. The vendor may submit its proposal as an attachment to an email addressed to:

Brian Maxwell (brian.maxwell@state.de.us)

Such attachments must be viewable using either Microsoft Word 97 (or greater) or Adobe Acrobat (PDF) software. All documents, regardless of their original format, must be presented using one or both of these softwares. A reply email notifying the vendor of receipt will be provided if requested.

5. By submitting a proposal, the vendor agrees that in the event it is awarded a contract, it will indemnify and otherwise hold harmless the State, its agents and employees from any and all liability, suits, actions or claims, together with all costs, expenses for attorney's fees,

arising out of the performance of services by the vendor, its agents and employees in connection with the contract.

N. Delaware business license

Prior to receiving an award, the successful vendor shall either (1) furnish the State Treasurer's Office with a statement of assurance that it either already has State of Delaware business licensure or (2) furnish proof that it has initiated the process of obtaining licensure. An application may be requested in writing to: Division of Revenue, Carvel State Building, P.O. Box 8750, 820 N. French Street, Wilmington, DE 19899 or by telephone to one of the following numbers: (302) 577-3300 - Public Service, (302) 577-5800 - Licensing Department.

O. Fees schedule

The vendor shall state its investment fees in terms of basis points. Any additional service and fees must be identified in a separate section of the proposal. Respondents to this RFP must ensure that their pricing (in terms of basis points) will be valid through the life of the contract.

P. Evaluation of bids

Criteria for evaluating the bids will include but not be limited to the following:

- Fee structure
- Qualifications and experience of professional staff
- Public funds fixed asset management experience
- Performance of public sector client portfolios
- Accounting and reporting systems
- Organization, size and structure of firm

III. Performance Specifications

A. The investment manager will:

1. Invest any and all State of Delaware funds in a manner that best achieves the objectives outlined in the *Statement of Objectives and Guidelines for the Investment of State of Delaware Funds* issued by the Cash Management Policy Board.

2. Provide a detailed report of all investment activity for each calendar month no later than 10 days after the close of the month. This report will contain not less than the following information:

- Statement of securities held
- Original cost of securities
- Market and adjusted book values of securities
- Accrued Income for securities
- Both book and market rates of return rounded to the nearest one thousandth of a percent. (Example: 6.123%)

3. Upon request of the Board, make in-person presentations to the Board to review past investment activity, discuss possible future activity and receive any instructions from the Board. Such presentations normally occur annually. The investment manager will make other non-routine presentations to the Board or agents of the Board on an as-needed basis.

IV. Questionnaire

Responses to these questions are intended to augment the information provided in your bank's proposal, and also to allow your bank to provide a comprehensive understanding of its investment capabilities. You must respond to the questions in the same order as they are asked. It is not necessary to repeat the question; instead, please number your responses to correspond with the relevant questions. Responses should be labeled "Performance Questionnaire" and should comprise a separate section of your proposal.

1. Please provide the returns on investment for the past two years (12-month periods ending June 30, 2007) for an existing portfolio most similar to that described by the State's investment guidelines. The returns should be detailed by gross market and book for each month of this two-year period
2. Please describe in detail the investment experience of those officers who would be assigned to the State's investment account. This includes any employees who would have any hands-on responsibility for the State's account. For each officer, please include:
 - Total number of accounts under his or her purview.
 - Total overall experience, including fixed investments and public funds investments.
 - Any additional relevant information.
3. Where will the account be managed on a day-to-day basis? Will internet access be provided to the State's account? Will email communications be available with the State's investment officers? If outside Delaware, will you provide a toll-free telephone number?
4. Describe the methods you use to measure the performance of your professional staff.
5. Comment on the personnel turnover your organization has experienced in the investment management area over the past three years. Please differentiate between individuals leaving the firm and those moving to other departments within the firm.
6. Briefly discuss the procedure used to assure continuity of service during vacations, turnovers or other absences which may occur in the account administration area.
7. Describe any ongoing educational sessions, user conferences, publications or other means you have for keeping clients fully educated and for providing a forum for new ideas and needs.
8. What steps are taken to ensure the accuracy of your reports? Are reports audited before they are mailed to clients? If so, by whom?
9. Describe your computer system's hardware and software capabilities. Is your system real-time "on line" or batch-oriented?

10. What back-up and recovery capabilities are in place in case of malfunctions or other emergencies? Where is the back-up system located and what is the estimated recovery time?
11. How does your firm ensure compliance with its clients' investment guidelines?
12. Do you provide an electronic mechanism for retrieving portfolio information? (For example: internet-based, password protected sites or terminal/PC-based system.) If so, describe any security systems that are in place to ensure that unauthorized persons are denied access to the State's account information.
13. Currently, the state uses BNY Mellon Corporation as custodian for all investment accounts. Does your firm have experience with BNY Mellon Corporation as custodian? Do you foresee any issues regarding this relationship or the reporting requirements that may be imposed by the custodian?
14. Please describe any qualifications, both tangible and intangible, that make your institution the best candidate to manage the State's portfolio as described in the investment guidelines.
15. List three current references (two references must be governmental clients), including each client's name, contact person, address, phone number, contract inception date, and amount of assets managed.
16. Have you lost any business in the last year? If so, what were the total assets managed and please provide reason for contract termination.